



The directors submit their report together with the audited financial statements for the year ended 31 March 2003.

### Principal Activities

The principal activity of the Company is investment holding. The activities of the subsidiaries are the design, manufacturing and marketing of consumer electronic products, provision of electronic manufacturing services, property investment and development.

### Geographical Analysis of Operations

An analysis of the Group's turnover and contribution to operating loss/profit for the year by principal activities and markets is set out in note 5 to the financial statements.

### Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 18.

The directors do not recommend the declaration of the payment of a final dividend for the year ended 31 March 2003 (2002: Nil).

### Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years/ periods is set out as follows:

	Year ended 31 March		Fifteen months ended	Year ended 31 December	
	2003	2002	31 March 2001	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>100,576</u>	<u>215,338</u>	<u>675,396</u>	<u>571,539</u>	<u>557,398</u>
Profit/(Loss) after taxation	<u>190</u>	<u>52,152</u>	<u>(630,461)</u>	<u>(75,225)</u>	<u>(11,304)</u>
Interest of minority Shareholders	<u>—</u>	<u>—</u>	<u>2,000</u>	<u>—</u>	<u>—</u>
Profit/(Loss) attributable to the shareholders	<u>190</u>	<u>52,152</u>	<u>(628,461)</u>	<u>(75,225)</u>	<u>(11,304)</u>
Total assets	<u>3,664,720</u>	<u>3,742,806</u>	<u>325,479</u>	<u>359,365</u>	<u>315,359</u>
Total liabilities	<u>(1,300,529)</u>	<u>(1,387,303)</u>	<u>(351,982)</u>	<u>(387,647)</u>	<u>(299,570)</u>
	<u>2,364,191</u>	<u>2,355,503</u>	<u>(26,503)</u>	<u>(28,282)</u>	<u>15,789</u>



### Property, Plant & Equipment

Details of the movements in property, plant & equipment of the Group are set out in note 11 to the financial statements.

### Subsidiaries

The activities of the subsidiaries are set out in note 14 to the financial statements.

### Bank Loans, Overdrafts and other Borrowings

The Group's bank loans, overdrafts and other borrowings as at 31 March 2003 are set out in notes 25 and 26 to the financial statements.

### Share Capital

Details of the movements in share capital of the Company are set out in note 30 to the financial statements.

### Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 31 to the financial statements.

### Distributable Reserves

As at 31 March 2003, the contributed surplus of the Company amounting to HK\$1,971,857,000 (at 31 March 2002: HK\$50,010,000), is a distributable reserve.

### Major Customers and Suppliers

	31 March 2003	31 March 2002
Sales		
– the largest customer	52%	13%
– five largest customers combined	81%	52%
Purchases		
– the largest supplier	26%	24%
– five largest suppliers combined	65%	52%

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) were interested in the above customers at any time in the year.



## Directors' Emoluments

Details of directors' emoluments in respect of the year are shown in note 35 to the financial statements.

## Directors' Interest in Competing Business

None of the directors of the Company has an interest in a business which compete or may compete with the business of the Group.

## Pension Costs

Details of pension costs in respect of the year are shown in note 34 to the financial statements.

## Directors

The directors during the year and up to the date of this report were:

Mr. YU Pun Hoi (*Chairman*)

Mr. ZHANG Hong Ren

Dr. ZHAO Liang

Mr. YU Lin Hoi <sup>#</sup>

Mr. LAM Bing Kwan <sup>#</sup>

Mr. NG Kwan Lik \*

(resigned on 15 January 2003)

Mr. CHAN Lap Stanley \*

(appointed on 15 January 2003)

Mr. Francisco Paredes ACOSTA \*

<sup>#</sup> *non-executive Directors*

\* *independent non-executive Directors*

In accordance with Bye-laws 99 and 102 of the Company, all the existing directors retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

## Biographical Details of Directors

### Executive Directors

**Mr. Yu Pun Hoi**, aged 45, is the Chairman of the Company. Mr. Yu is the brother of Mr. Yu Lin Hoi. He has extensive experience in Media and Internet technology businesses, and in properties investment and development. Mr. Yu has been with the Group since September 2000. Mr. Yu is also the Chairman and a substantial shareholder of Sino-i Technology Limited, the controlling shareholder of the Company.

**Mr. Zhang Hong Ren**, aged 51, has been in senior and management positions in economic research, media and computer technology industries since 1991. Mr. Zhang holds a Master's degree in Economics. He has been with the Group since September 2000. Mr. Zhang is also a director of Sino-i Technology Limited, the controlling shareholder of the Company.

**Dr. Zhao Liang**, aged 45, has over 10 years of extensive management experience in banking sector. He holds Doctorate degree in Economics and an MBA degree. Dr. Zhao has been with the Group since September 2000.

**Non-executive Directors**

**Mr. Yu Lin Hoi**, aged 60, the brother of Mr. Yu Pun Hoi, has extensive experience in marketing, management on manufacture and administration on transportation. He holds a marine master degree from Canada. Mr. Yu has been appointed as non-executive director of the Company since January 2002.

**Mr. Lam Bing Kwan**, aged 53, has been in management positions in the banking and financial industry for more than 10 years. Mr. Lam joined the Board in September 2000 and has been re-designated as non-executive director since April 2002. Mr. Lam is also a non-executive director of Sino-i Technology Limited, the controlling shareholder of the Company.

**Independent Non-executive Directors**

**Mr. Chan Lap Stanley**, aged 48, is an Assistant Professor in Zhejiang University in the People's Republic of China, and a researcher and chief secretary of a Research Centre for Taiwan, Macau and Hong Kong in Zhejiang University. He is also a business consultant in Ningbo Free Trade Zone in Zhejiang. Mr. Chan graduated from medical school and holds a Master's degree in Psychology. He has been appointed as an independent non-executive director of the Company since January 2003.

**Mr. Francisco Paredes Acosta**, aged 56, is a senior partner of Acosta Aguirre & Fernandez Law Firm in the Philippines, and has pursued his legal profession in the Philippines for over thirty years. He has been appointed as an independent non-executive director of the Company since September 2000. Mr. Acosta is also an independent non-executive director of Sino-i Technology Limited, the controlling shareholder of the Company.

**Directors' Interests in Equity or Debt Securities****(a) Particulars of shares held by directors**

As at 31 March 2003, the interests of directors and their associates in the equity or debt securities of the Company or any of its associated corporation (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as required to be recorded in the register maintained pursuant to Section 29 of the SDI Ordinance were as follows:—

Name of Director	Number of shares of HK\$0.01 each Corporate interests
Yu Pun Hoi *	20,266,720,000

\* *Mr. Yu Pun Hoi is beneficially interested in these shares through his 48.21 per cent. interests in Victorious Limited, Robina Profits Limited and Ko Tact Limited which are wholly-owned by Sino-i Technology Limited. Sino-i Technology Limited is 48.21 per cent. beneficially owned by Mr. Yu Pun Hoi and his associates.*

Save as disclosed above, as at 31 March 2003, none of the directors or their associates had or were deemed to have interests in any equity or debt securities of the Company or any of its associated corporation as defined in the SDI Ordinance.



**(b) Directors' benefits from rights to acquire shares or debentures**

In compliance with the amendments to the Listing Rules and the announcement of the Stock Exchange in 2001, the share option scheme adopted at the special general meeting held on 8 January 2001 (the "Old Scheme") was terminated upon the adoption of a new share option scheme at the special general meeting of the Company held on 29 August 2002 (the "New Scheme"). Prior to such termination, no share option has been granted under the Old Scheme and also, no further option would be granted under the Old Scheme. As at 31 March 2003, the Company has not granted any share options under the New Scheme.

A summary of the New Scheme is as follows:

*(1) Purpose*

The purpose of the New Scheme is to provide incentives or rewards to participants for their contribution or would-be contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which any member of the Group holds any equity interests (the "Invested Entity").

*(2) Participants*

The participants include:

- a. any employee (whether full time or part time employee, including any executive director but not any non-executive director) of the Company, any of its subsidiaries or any Invested Entity;
- b. any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity;
- c. any supplier of goods or services to any member of the Group or any Invested Entity;
- d. any customer of the Group or any Invested Entity;
- e. any person or entity that provides research, development or other technological support or other services to the Group or any Invested Entity;
- f. any shareholder or any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and
- g. any ex-employee who has contributed or may contribute to the development and growth of the Group and any Invested Entity.



- (3) *Maximum number of shares available for subscription*  
The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme any other share option scheme of the Company must not in aggregate exceed 30 per cent. of the issued share capital of the Company from time to time.
- (4) *Maximum entitlement of each participant*  
The total number of shares issued and which may fall to be issued upon exercise of the options granted under the New Scheme and any other share option scheme of the Company (including exercised, cancelled and outstanding options) to each participant in any 12-month period shall not exceed 1 per cent. of the issued share capital of the Company in issue.
- (5) *Time of Acceptance*  
An offer of grant of an option may be accepted by a participant within 28 days from the date of the offer of grant of the option. A consideration of HK\$1 is payable on acceptance of the offer of grant of an option.
- (6) *Maximum period for exercising an option*  
An option may be exercised in accordance with the terms of the New Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date on which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option.
- (7) *Basis of determining the subscription price*  
The subscription price for shares under the New Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of shares as stated in the Stock Exchange's daily quotation sheet of on the date of the offer of grant, which must be a trading day; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the share.
- (8) *Remaining life of the New Scheme*  
The New Scheme will remain in force for a period of 10 years commencing on 29 August 2002 up to 28 August 2012.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executives of the Company or their respective spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.



### **Directors' Service and Management Contracts**

None of the directors who are proposed for re-election at the forthcoming annual general meeting has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than the statutory compensation.

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### **Directors' Interests in Contracts**

No contract of significance in relation to the Group's business to which the Company, its subsidiaries, its holding companies or its fellow subsidiaries was a party, and in which any directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### **Substantial Shareholders**

At 31 March 2003, the register maintained by the Company under Section 16(1) of the SDI Ordinance shows that the Company has been notified of the following interests, being 10% or more of the Company's issued share capital:

<b>Name</b>	<b>Number of ordinary shares</b>
Sino-i Technology Limited	20,266,720,000
Victorious Limited	11,976,270,000
Ko Tact Limited	7,890,450,000
Robina Profits Limited	400,000,000

*Note:* Victorious Limited, Ko Tact Limited and Robina Profits Limited are wholly-owned subsidiaries of Sino-i Technology Limited and Sino-i Technology Limited is 48.21 per cent. beneficially owned by Mr. Yu Pun Hoi and his associates.

### **Related Party Transactions and Connected Transactions**

Details of related party transactions and connected transactions of the Company and the Group are set out in note 38 to the financial statements.

### **Purchase, Sale or Redemption of Shares**

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold or redeemed any of the Company's shares during the year.

### **Pre-emptive Rights**

There is no provision for pre-emptive rights under the Company's Bye-Laws or the law in Bermuda.

### **Code of Best Practice**

All of the recommendations and guidelines under the Code of Best Practice as set out in the Listing Rules ("the Code") have been complied with the Company for the year 31 March 2003 except that non-executive directors are not appointed for a specific term as recommended under the Code. All directors, including the non-executive directors, are subject to the retirement and rotation requirements in accordance with the Company's Bye-Laws.



### **Audit Committee**

The Company has set up an Audit Committee, of which the members comprise Messrs. Chan Lap Stanley (appointed on 15 January 2003) and Francisco Paredes Acosta, the two independent non-executive directors of the Company.

The objectives of the Audit Committee are to maintain an open line of communication between the Board, management and external auditors; to oversee and appraise the quality of the audits conducted by the external auditors; and to provide assistance to the Board in fulfilling its fiduciary responsibilities relating to the Company's administration, operating and accounting controls.

### **Auditors**

On 27 September 2001, Messrs. PricewaterhouseCoopers retired and Messrs. Grant Thornton appointed as auditors of the Company at the annual general meeting held. There have been no other changes of auditors in the past three years.

The financial statements have been audited by Messrs. Grant Thornton who retire and, being eligible, offer themselves for reappointment. A resolution will be proposed at the forthcoming annual general meeting for the reappointment of auditors of the Company.

On behalf of the Board

**Zhang Hong Ren**  
*Director*

Hong Kong, 30 July 2003